

Message Text

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14

ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 INT-08 SCEM-02 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 L-03 H-03 PA-03 USIA-15 PRS-01 IO-13

AF-10 EUR-25 RSR-01 /203 W
----- 052814

R 231100Z AUG 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 4722

INFO AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

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DEPT PASS USINT CAIRO

E.O. 11652: N/A

TAGS: EFIN, SA

SUBJ: IMF/IBRD MEETINGS

REF: STATE 166131 AND STATE 159015

SUMMARY: MAJOR SAUDI CONCERN AT NAIROBI WILL BE US PRO-
POSAL THAT SURPLUSES SPUN BY OIL EXPORTING COUNTRIES
WILL BE EXEMPT FROM PENALTY OR OTHER CONSEQUENCES UNDER
NEW INTERNATIONAL MONETARY SYSTEM. GOVERNOR ANWAR ALI
WILL SEE USDEL IN PARIS EARLY SEPTEMBER REGARDING
POSSIBLE POSTPONEMENT DISCUSSION US PROPOSAL TO PERIOD
FOLLOWING NAIROBI MEETING. END SUMMARY.

1. THE ISSUE SURE TO BE IN FOREFRONT FOR SAUDI DELEGATION
TO NAIROBI IS SUBJECT OF SPECIAL INVESTMENT FUND PRO-
POSED BY USG IN WORKING PAPER SUBMITTED TO C-20 DEPUTIES
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DESIGNED TO EXEMPT OIL PRODUCING COUNTRIES WITH LARGE

SURPLUSES FROM PENALTIES OR OTHER CONSEQUENCES STEMMING FROM UNRESTRICTED SALE OF THEIR HIGHLY NEEDED COMMODITY IN WORLD MARKETS. GOVERNOR ANWAR ALI OF SAUDI ARABIAN MONETARY AGENCY CONFIRMED TO US ON AUGUST 22 THAT HE WOULD BE ATTENDING NAIROBI MEETING AND ALSO WILL SEE MEMBERS OF US DELEGATION AT PRELIMINARY MEETING IN PARIS SEPTEMBER 5-7.

2. HE IS UNCERTAIN OF REAL RESULTS IF ANY OF ARAB LEAGUE COMMITTEE MEETING IN CAIRO BUT IS IN COMMUNICATION WITH IRAQI REPRESENTATIVE ON IMF BOARD REGARDING THIS AND OTHER MATTERS. HE REVEALED THAT HE HAD DELIVERED COPY OF DRAFT US POSITION TO FINANCE MINISTER, PRINCE MUSA'AD AND REASSURED HIM THAT WASHINGTON WAS ATTEMPTING TO WORK OUT SPECIAL STATUS FOR OIL PRODUCING COUNTRIES.(EMBASSY HAS DELIVERED COPIES OF PAPER TO SUPREME PETROLEUM COUNCIL MEMBERS, HISHAM NAZER AND ZAKI YAMANI. WE WILL ALSO BE MAKING ONE AVAILABLE TO PRINCE FAHD.)

3. GOVERNOR ALI REMAINS UNSURE AS TO ATTITUDE HE MAY TAKE TOWARDS POSSIBLE POSTPONEMENT OF DISCUSSION OF AMERICAN PROPOSAL FOR EXEMPTING OIL-PRODUCING COUNTRIES UNTIL SOMETIME AFTER NAIROBI CONFERENCE. THIS POSSIBILITY HAD BEEN RAISED WITH HIM IN PAST FEW DAYS, APPARENTLY BY IRAQI CHIEF DELEGATE. HE PLANS TO MEET WITH ZAKI SAAD, SAG CONSULTANT/ADVISOR ON IMF/IBRD, IN GENEVA BEFORE PARIS MEETING.

4. OTHER MEMBERS OF SAG DELEGATION TO NAIROBI, IF ANY, STILL NOT SPECIFIED, IN THE CONTEXT OF CURRENT SAUDI CONCERNS WITH GROWING MONETARY RESERVE OVERHANG, EMBASSY ASSUMES USDEL WILL CONTINUE DIALOGUE AT PARIS AND IN NAIROBI WITH ANWAR ALI. IT WOULD ALSO BE DESIRABLE FOR US IF POSSIBLE TO MAKE LOW-KEY BUT PUBLIC UTTERANCE AT SOME EARLY DATE OF OUR PLANS TO PROPOSE VIABLE AMENDMENT TO ANY NEW MONETARY SYSTEM PERMITTING OIL-PRODUCING COUNTRIES FULL FREEDOM OF ACTION AND EVEN SPECIAL INCENTIVES ON USE OF BALANCES SPUN AS RESULT OF URGENT NEED FOR THEIR ENERGY COMMODITIES.

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5. REQUEST EMBASSY BE KEPT FULLY INFORMED OF ANY RE-THINKING OR CHANGES IN PROPOSAL AS RESULT OF ITS HAVING BEEN CIRCULATED AMONG C-20 DEPUTIES. GOVERNOR ALI HAS GIVEN US IMPRESSION US PROPOSAL HAS MADE A POSITIVE CONTRIBUTION TO PROBLEM OF REASSURING SAG.

6. GOVERNOR NOTED IMPROVED ATMOSPHERE AT JULY MEETING AS REGARDS MOVING AHEAD WITH GENERAL MONETARY PROPOSALS.

THACHER

NOTE BY OC/T: NOT PASSED CAIRO.

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